

**REPORT
HIGHLIGHTS**
FINANCIAL STATEMENT AUDIT

Subject

Santa Cruz County issues a Comprehensive Annual Financial Report. The County is responsible for preparing financial statements, maintaining strong internal controls, and demonstrating accountability for its use of public monies. As the auditors, our job is to determine whether the County has met its responsibilities.

Our Conclusion

The information in the financial statements is fairly stated in all material respects and the financial statements can be relied on.

The County Makes Progress on Several Construction Projects

Significant construction activity involving airport improvement projects at the Nogales International Airport has begun during the past year. The current and anticipated airport improvements include constructing a runway safety area and new cargo apron, widening and resurfacing the entire runway, and improving taxiway access and lighting. Expenditures for these projects totaled \$2.2 million for the fiscal year. At year-end, construction was approximately 47

percent complete, and the costs to complete the projects are approximately \$2.5 million.

In addition, the County completed the Robert Damon Recreation Complex at a cost of \$893 thousand during the year. The complex encompasses 22 acres and includes baseball and soccer fields, a restroom and concession building, and exercise trail.

County's Condensed Financial Information

The tables below present summarized versions of the County's government-wide Statement of Net Assets and Statement

of Activities as of and for the years ended June 30, 2004 and 2003.



2004

Year Ended June 30, 2004

Statement of Net Assets
June 30, 2004 and 2003
(In thousands)

	Total Governmental and Business-type Activities	
	2004	2003
Current and other assets	\$17,588	\$14,805
Capital assets	<u>23,128</u>	<u>19,749</u>
Total assets	<u>40,716</u>	<u>34,554</u>
Current and other liabilities	2,665	1,423
Long-term liabilities	<u>7,552</u>	<u>8,237</u>
Total liabilities	<u>10,217</u>	<u>9,660</u>
Net assets		
Invested in capital assets, net of related debt	20,709	16,487
Restricted net assets	2,125	2,289
Unrestricted net assets	<u>7,665</u>	<u>6,118</u>
Total net assets	<u>\$30,499</u>	<u>\$24,894</u>

Statement of Activities
Years Ended June 30, 2004 and 2003
(In thousands)

	Total Governmental and Business-type Activities	
	2004	2003
Program revenues:		
Governmental activities	\$19,523	\$16,378
Business-type activities	1,829	
General revenues:		
Governmental activities	17,104	16,727
Business-type activities	<u>19</u>	<u></u>
Total revenues	<u>38,475</u>	<u>33,105</u>
Expenses:		
Governmental activities	31,520	28,492
Business-type activities	<u>1,350</u>	<u></u>
Total expenses	<u>32,870</u>	<u>28,492</u>
Change in net assets	5,605	4,613
Net assets—beginning	<u>24,894</u>	<u>20,281</u>
Net assets—ending	<u>\$30,499</u>	<u>\$ 24,894</u>



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Year Ended June 30, 2004